

Message Text

SECRET

PAGE 01 BONN 08663 01 OF 03 201622Z
ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 INR-05 CIAE-00
SP-02 TRSE-00 EB-03 OMB-01 SIL-01 L-01 H-01
OES-02 DODE-00 PM-03 PRS-01 CU-02 /050 W
-----201827Z 104957 /45

R 201606Z MAY 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8418
INFO USMISSION USBERLIN
AMEMBASSY BERLIN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY MOSCOW
USMISSION NATO

S E C R E T SECTION 01 OF 03 BONN 08663

LIMDIS

E.O. 11652: GDS
TAGS: EEWT, US, WB, GW, GE
SUBJECT: WEST GERMAN NEGOTIATIONS WITH THE GDR:
ECONOMIC ISSUES

REF: (A) BONN 7935, (B) BERLIN 6044, (C) BONN 5351

1. SUMMARY: FRG NEGOTIATING LIST CONTAINS A NUMBER OF
MAJOR ECONOMIC ITEMS, INCLUDING BERLIN ENERGY
SUPPLY, THE SETTLEMENT OF THE SWING CREDIT, GDR INTEREST
IN AN AGREEMENT ON ECONOMIC COOPERATION, AND THE DEVELOP-
MENT OF BILATERAL TRADE. ECONMIN OFFICIAL COMMENTED ON
THESE AND OTHER BILATERAL ECONOMIC NEGOTIATING
POINTS, NOTING THAT MUCH OF THE FRG'S POSITION HAD BEEN
LEAKED TO DER SPIEGEL. WITHIN THE NEGOTIATING CATEGORY
CONSISTING OF ECONOMIC ITEMS, MUCH HORSE-TRADING CAN BE
SECRET

SECRET

PAGE 02 BONN 08663 01 OF 03 201622Z

EXPECTED, WITH THE FRG APPARENTLY READY TO TRADE CON-
CESSIONS ON THE SWING CREDIT FOR AGREEMENT ON BERLIN'S
LONG TERM ENERGY SUPPLY. BASIC POSITION AND NEGOTIATING
STRATEGY REMAIN TO BE FIRMED UP IN A NUMBER OF AREAS,
AND CHANGES IN STRATEGY AND POSITION CAN BE EXPECTED AS
THE NEGOTIATIONS BEGIN. END SUMMARY.

2. ECONMIN SOURCE BRIEFED EMBOFF ON FRG PLANS FOR NEGOTIATIONS WITH THE GDR IN THE ECONOMIC SPHERE. AS REPORTED REF A THE NEGOTIATING PACKAGE, ORIGINALLY CONSISTING OF EIGHTY-FOUR BILATERAL ISSUES, HAS NOW BEEN REDUCED AND CONSOLIDATED INTO SIX MAJOR GROUPS. THE GROUP LABELLED ECONOMIC QUESTIONS HAS BEEN SUBDIVIDED INTO FIVE AREAS: (1) BERLIN ENERGY SUPPLY, (2) GOVERNMENT EXPORT GUARANTEES AND CURRENT CEILING, (3) THE SWING CREDIT, (4) TRADE AND INDUSTRIAL COOPERATION AND (5) NON-COMMERCIAL PAYMENTS.

3. MUCH OF THE FRG POSITION ON ECONOMIC ISSUES AND KEY ELEMENTS OF THE TRANSPORTATION BASKET APPEARED IN THE APRIL 11 EDITION OF DER SPIEGEL. WHILE OUR SOURCE ARGUED THAT SELECTED POINTS IN THE ARTICLE WERE EXAGGERATED OR MISINTERPRETED, HE CONFIRMED THE BASIC ACCURACY OF THE ARTICLE. HE CONFESSED PRIVATELY THAT THERE IS MUCH UNHAPPINESS THAT THE FRG POSITIONS FOUND THEIR WAY INTO THE PRESS.

4. CONCERNING BERLIN ENERGY SUPPLY, OUR SOURCE EXPECTS THIS TO BE A MAJOR POINT OF INTEREST DURING THE NEGOTIATIONS. THE MORE PESSIMISTIC PROJECTIONS OF BERLIN'S LONG-TERM ENERGY SUPPLY AND DEMAND DEPICT SHORTAGES AS EARLY AS 1981; THUS, THE FRG WISHES TO BEGIN NEGOTIATIONS AS QUICKLY AS POSSIBLE. THE FEDERAL REPUBLIC PREFERS TO SUPPLY BERLIN WITH ELECTRICITY FROM A LINE ORIGINATING IN WEST GERMANY, BUT IS ALSO PREPARED TO CONSIDER "GUARANTEED" SUPPLIES
SECRET

SECRET

PAGE 03 BONN 08663 01 OF 03 201622Z

FROM AN EAST GERMAN TRANSMISSION LINE OR FROM A LINE ORIGINATING IN POLAND (OR THE USSR) AND PASSING THROUGH BERLIN, TO BE COUPLED WITH WEST GERMAN CONSTRUCTION OF THE ELECTRICITY GENERATING FACILITY (MOST LIKELY A NUCLEAR POWER PLANT AT KALININGRAD). COMMENT: THE ECONMIN DOES NOT VIEW A TRANSMISSION LINE FROM THE USSR AS A SERIOUS ALTERNATIVE AT THE MOMENT, SINCE ITS INFORMATION INDICATES THAT THE SOVIETS ARE STILL SHOWING LITTLE INTEREST IN THE DORMANT KALININGRAD PROJECT. END COMMENT.

5. SINCE THE SWING CREDIT EXPIRES IN 1980, THE FRG SEES THE POSSIBILITY OF TYING RESOLUTION OF THIS POINT TO THE BERLIN ENERGY SUPPLY QUESTION. A PRESUMED TRADE-OFF WOULD PROVIDE THE ENERGY GUARANTEES THE FRG DESIRES IN EXCHANGE FOR EITHER EXPANSION OF THE SWING OR A MORATORIUM ON (OR CANCELLATION OF) ITS REPAYMENT. THE FRG WOULD PREFER TO MAKE A CONCESSION ON THE SWING RATHER THAN PAY GDR TRANSIT FEE DEMANDS FOR THE

ELECTRICITY SUPPLIED FROM WEST GERMANY TO BERLIN.
OUR SOURCE EXPECTS THE GDR TO DEMAND AT LEAST DM 100

SECRET

NNN

SECRET

PAGE 01 BONN 08663 02 OF 03 201624Z
ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 INR-05 CIAE-00
SP-02 TRSE-00 EB-03 OMB-01 SIL-01 L-01 H-01
OES-02 DODE-00 PM-03 PRS-01 CU-02 /050 W
-----201827Z 104975 /45

R 201606Z MAY 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8419
INFO USMISSION USBERLIN
AMEMBASSY BERLIN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY MOSCOW
USMISSION NATO

S E C R E T SECTION 02 OF 03 BONN 08663

LIMDIS

MILLION PER YEAR IN TRANSIT FEES. COMMENT: IT IS OUR
IMPRESSION, GLEANED FROM CONTACTS WITH ECONMIN OFFICIALS
IN THIS AREA OVER THE PAST TWO YEARS, THAT THE FEDERAL
REPUBLIC APPEARS READY TO TRADE AWAY MAJOR CON-
CESSIONS ON THE SWING IN ORDER TO ACHIEVE GAINS IN
OTHER AREAS. THERE HAS ALWAYS BEEN SOME DOUBT ABOUT
THE GDR'S WILLINGNESS AND ABILITY TO REPAY THE CREDIT
WHEN IT COMES DUE, AND WE SOMETIMES HAVE THE FEELING
THAT THE FRG HAS WRITTEN OFF THIS MONEY ANYWAY. THUS,
THERE WOULD BE LITTLE TO LOSE BY TRADING IT AWAY FOR
IMPORTANT CONCESSIONS IN OTHER AREAS. END COMMENT.

6. THE GDR CONTINUES TO ASK FOR AN ECONOMIC COOPERATION
AGREEMENT SIMILAR TO THOSE NOW IN FORCE WITH OTHER EAST
BLOC COUNTRIES. LATELY, THEY HAVE SUPPORTED THEIR
REQUEST WITH REFERENCES TO THE HELSINKI FINAL ACT,
ARGUING THAT THE FRG IS OBLIGED TO CONSIDER SUCH AN
SECRET

SECRET

PAGE 02 BONN 08663 02 OF 03 201624Z

AGREEMENT IN LIGHT OF ITS COMMITMENT TO CSCE PRINCIPLES. (COMMENT: WE NOTE PER REF B THAT THE EAST GERMANS ARE USING THE SAME TACK WITH THE U.S. END COMMENT). THE ECONMIN HAS A DRAFT AGREEMENT ON HAND COVERING SCIENCE AND TECHNOLOGY, COOPERATION IN THIRD MARKETS (IN WHICH SEVERAL SECTORS OF WEST GERMAN INDUSTRY ARE INTERESTED), AND OTHER STANDARD FEATURES OF EAST BLOC COOPERATION AGREEMENTS. UP UNTIL NOW DISCUSSIONS ON SUCH AN AGREEMENT HAVE BEEN BLOCKED BECAUSE OF THE BERLIN QUESTION AND FOR OTHER POLITICAL REASONS. ACCORDING TO OUR SOURCE, THE FINANCE MINISTRY BELIEVES THAT SUCH AN AGREEMENT SHOULD BE HELD HOSTAGE UNTIL THE GDR COMES TO TERMS WITH THE FEDERAL REPUBLIC ON OTHER OUTSTANDING POINTS OF CONTENTION IN THE ECONOMIC SPHERE, SUCH AS NON-COMMERCIAL PAYMENTS. EVEN IF THE BERLIN QUESTION IS SOLVABLE (AT PRESENT DOUBTFUL), THE FRG WOULD BE PREPARED TO SIGN AN AGREEMENT ONLY IN EXCHANGE FOR MAJOR CONCESSIONS IN OTHER AREAS. ACCORDING TO OUR SOURCE, THE MINISTRIES INVOLVED DO NOT YET HAVE FIRM NEGOTIATING LINES ON THIS POINT.

7. IN THE KEY AREA OF TRADE RELATIONS (DESCRIBED BY DER SPIEGEL AS THE MOST IMPORTANT INNER-GERMAN ISSUE), THE ECONMIN HAS NOT YET SUGGESTED MARCHING ORDERS FOR CONSIDERATION BY THE CHANCELLOR AND OTHER MINISTRIES. DER SPIEGEL REPORTED THAT MINISTER FRIDERICH'S HAS EXAMINED THE POSSIBILITIES FOR RESTRICTING INNER-GERMAN TRADE (IN PARTICULAR GDR EXPORTS) WITHOUT VIOLATING EXISTING AGREEMENTS IN ORDER TO PUT THE GDR UNDER PRESSURE. THE ARTICLE NOTES THAT FRG COULD RESTRICT GDR TEXTILE AND PORK EXPORTS, REDUCING GDR EXPORT EARNINGS BY DM 750 MILLION IN THE TEXTILE SECTOR ALONE, AND COULD DISCONTINUE SUPPLYING CRUDE OIL TO GDR REFINERIES, COSTING THE GDR ANOTHER DM 200 MILLION PER YEAR.

SECRET

SECRET

PAGE 03 BONN 08663 02 OF 03 201624Z

8. IN RESPONSE TO THESE POINTS OUR SOURCE DENIED THAT THE FRG HAS CONSIDERED RESTRICTING TRADE. HE DOUBTED THAT EAST GERMANY COULD BE PRESSURED INTO MAKING DESIRED CONCESSIONS BY WEST GERMAN USE OF THESE ACTIONS AND HE DID NOT BELIEVE THAT THE HARD CURRENCY LOSSES, INSPITE OF THE DIFFICULT GDR FOREIGN EXCHANGE SITUATION, WOULD BE INSURMOUNTABLE. MORE-

OVER, HE NOTED THAT MOST OF THE PORK AND REFINED OIL GO TO WEST BERLIN. SINCE THE CRUDE OIL SUPPLY AGREEMENT, AS WELL AS PORK AND TEXTILE QUOTAS, ARE NEGOTIATED ANNUALLY, IT WOULD BE POSSIBLE TO REDUCE BOTH THE CRUDE OIL DELIVERIES AND QUOTAS WITHOUT BREAKING EXISTING BILATERAL AGREEMENTS SHOULD SUCH ACTION PROVE NECESSARY. HOWEVER, THE FRG IS RELUCTANT TO TAKE SUCH ACTION FOR FEAR OF REPRISALS EITHER IN OIL DELIVERIES TO WEST BERLIN OR IN OTHER AREAS. OUR SOURCE WAS NOT SURE HOW THE SPIEGEL ARRIVED AT THE DM 200 MILLION FOREIGN EXCHANGE LOSS IN THE OIL SECTOR, BUT HE SPECULATED THAT THAT IS THE AMOUNT THE GDR NOW SAVES BY BUYING WESTERN GERMAN CRUDE AT THE ARTIFICIAL ONE-TO-ONE EXCHANGE RATE BETWEEN THE DM AND THE VALUTA MARK.

9. THERE IS STILL APPROXIMATELY DM 350 MILLION AVAILABLE IN EXPORT CREDIT GUARANTEES FOR EAST GERMANY. THIS IS ENOUGH FOR MEDIUM-SIZED PROJECTS, INCLUDING A STEEL MILL NOW UNDER DISCUSSION, BUT LARGER PROJECTS WOULD REQUIRE AN INCREASE IN THE CEILING. THE ECONMIN CONTINUES TO FAVOR SUCH AN INCREASE WHEN LARGE PROJECTS PRESENT THEMSELVES, BUT OTHER MINISTRIES CONTINUE TO ARGUE FOR CONCESSIONS FROM EAST GERMANY BEFORE PRO-

SECRET

NNN

SECRET

PAGE 01 BONN 08663 03 OF 03 201628Z
ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 INR-05 CIAE-00
SP-02 TRSE-00 EB-03 OMB-01 SIL-01 L-01 H-01
OES-02 DODE-00 PM-03 PRS-01 CU-02 /050 W
-----201829Z 105066 /45

R 201606Z MAY 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8420
INFO USMISSION USBERLIN
AMEMBASSY BERLIN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY MOSCOW
USMISSION NATO

S E C R E T SECTION 03 OF 03 BONN 08663

LIMDIS

VIDING THIS MONEY. SINCE NO LARGE PROJECTS ARE NOW IN SIGHT, THE TOPIC DOES NOT HAVE TO BE RAISED IN THE UPCOMING NEGOTIATION ROUND, BUT THE FRG MAY DO SO IF IT SEES THE POSSIBILITY OF OBTAINING OTHER CONCESSIONS FOR AN IMMEDIATE INCREASE IN THE CEILING. THE GOVERNMENT HAS NO FIRM IDEAS YET ON AREAS IN WHICH CONCESSIONS WOULD BE REQUESTED.

10. OUR SOURCE ALSO DENIED THAT THE FRG WOULD CONSIDER HOLDING BACK TRANSIT FEES PAYABLE AND DUE. THE SPIEGEL SPECULATED THAT THE FRG COULD TAKE THIS ACTION AND APPLY THE WITHHELD FEES TO EAST GERMANY'S BILATERAL DEBT, THEREBY REDUCING THAT DEBT. SUCH AN ACTION WOULD INVOLVE THE BREAKING OF A BILATERAL AGREEMENT AND THE FRG WOULD BE EXTREMELY RELUCTANT TO DO THIS. AS TO THE QUESTION OF IMPOSING TRANSIT FEES ON EAST GERMAN VEHICLES (REF A, PARA L5) OUR SOURCE REPORTED THAT THERE
SECRET

SECRET

PAGE 02 BONN 08663 03 OF 03 201628Z

IS CONSIDERABLE RELUCTANCE TO USE THIS AS A THREAT TO OBTAIN THE ABOLITION OF SIMILAR EAST GERMAN TRANSIT FEES. THE FRG FEARS THAT THE IMPOSITION OF FEES ON GDR TRAFFIC WOULD ONLY ENCOURAGE EAST GERMANY TO IMPOSE FEES IN OTHER AREAS ("THEY CAN ALWAYS FIND WAYS OF GETTING BACK AT US"), PRODUCING A SITUATION EVEN LESS IN KEEPING WITH THE FRG'S GOAL OF FREE TRANSIT IN BOTH AREAS. THERE IS NOT YET A GOVERNMENT POSITION ON THE ALTERNATIVE COURSES OF ACTION.

11. EAST GERMANY IS ALSO THOUGHT TO BE SEEKING AGREEMENT ON THE DETAILS OF JOINT NATURAL GAS EXTRACTION IN THE SALZWEDEL BORDER REGION. THE GDR IS ALREADY EXTRACTING NATURAL GAS HERE AND THE SIZE OF THE FIELDS ON THE WEST GERMAN SIDE OF THE BORDER ARE FAIRLY SMALL. OUR SOURCE CHARACTERIZED THIS ISSUE AS MINOR AND UNCONTENTIOUS.
STOESSEL

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, COMMUNITY RELATIONS, SOVEREIGNTY, EAST WEST TRADE, ECONOMIC COOPERATION, ENERGY, NEGOTIATIONS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 20-May-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN08663
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770180-0720
Format: TEL
From: BONN
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770537/aaaabfur.tel
Line Count: 322
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9139408f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: 77 BONN 7935, 77 BERLIN 6044, 77 BONN 5351
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2443581
Secure: OPEN
Status: NATIVE
Subject: WEST GERMAN NEGOTIATIONS WITH THE GDR: ECONOMIC ISSUES
TAGS: EEWT, US, WB, GE, GC
To: STATE
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/9139408f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009